

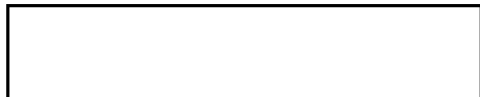
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10 April 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

DIA review(s) completed.

State Dept. review completed

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SOVIET UNION

1. Dutch delegates express dissatisfaction with World Economic Conference: Four timber buyers from the Netherlands attending the World Economic Conference were planning to leave Moscow before the end of the conference because they considered their presence fruitless. They were reported to have told Soviet trade representatives even before coming to Moscow that Soviet timber prices were too high but were urged to attend the conference anyway.

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Comment: The Soviet Union claimed repeatedly that the conference would be non-political and would give an opportunity for discussions of concrete commercial agreements. However, official and press reports indicate that communist manipulation of the conference has been uncontested, and Soviet promises have not materialized.

Both the plenary meetings and the committee meetings have been used as forums for propaganda utterances and, with the exception of unofficial British-Chinese trade talks, no concrete trade discussions are known to have taken place.

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EASTERN EUROPE

3. Czech Ministry of Finance promotes savings campaign to reduce excess purchasing power: The Czech Ministry of Finance has formed a commission for promoting savings consisting of representatives of the government, of banking, insurance and mass organizations. The purpose of the commission is to convey to the working people the importance to the Czech economy of saving both through bank deposits and life insurance.

The American Embassy in Prague sees in this development evidence that excess purchasing power does not constitute a sufficiently acute problem to require a currency reform but that it does necessitate the less drastic solution of increased savings. [REDACTED]

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Comment: Rumors of imminent currency reform have been circulating in Czechoslovakia since last summer and resulted in a buying spree at the beginning of this year. Czech government leaders are reported to be opposed to a currency reform because of the adverse effect revaluation would have on workers' morale. Less drastic measures have been proposed by Prime Minister Zapotocky, including the lowering of the wage level, higher prices for non-essential goods and increased taxes.

4. Czechoslovak state budget for 1952 presented to National Assembly: The Czechoslovak state budget which was presented to the National Assembly on 24 March provides for total revenues of 324.3 billion Czech crowns and total expenditures of 323.5 billion crowns. Expenditures for 1952 include 217.5 billion crowns for national and communal enterprises and their administration, including about 92 billion crowns for capital investment, and 22.4 billion crowns for national defense and security. [REDACTED]

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Comment: The 1952 Czech budget is almost double that of 1951, when total expenditures were about 166.3 billion crowns (about \$3.3 billion at the official rate of exchange). This increase is largely due to the fact that the budget this year for the first time represents the basic financial plan for the entire national economy. In previous years revenues and expenditures connected with nationalized enterprises were not included in the budget but were handled through a National Economy Fund.

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In 1951 defense and security expenditures were listed as about 15.6 billion crowns, while expenses in connection with national and communal enterprises amounted to about 82.3 billion crowns, including deposits made by the government in the National Economy Fund. Military expenditures for 1952 have increased about 43 percent over last year according to the published figures.

Undoubtedly, the 1952 budget contains many hidden expenditures for defense and security, especially in military production. The major emphasis in the increased budget for this year, however, is on capital construction and production of nationalized enterprises, a large part of which have important strategic value to the Soviet war potential.

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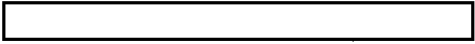
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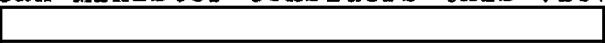
7. Li Li-san's "self-criticism" reported: A Chinese Communist newspaper in Peiping reports the confession of Li Li-san, Minister of Labor and Vice-Chairman of the All-China Federation of Labor, that he has been guilty of "bureaucratic habits" in failing to expunge corruption, waste and bureaucracy from the Federation.

Li is reported to have told workers of the Federation at a January 1952 meeting that the "ideological leadership" of the ACFL was faulty and therefore its cadres were poorly indoctrinated. An editorial in the newspaper endorsed Li's remarks. 

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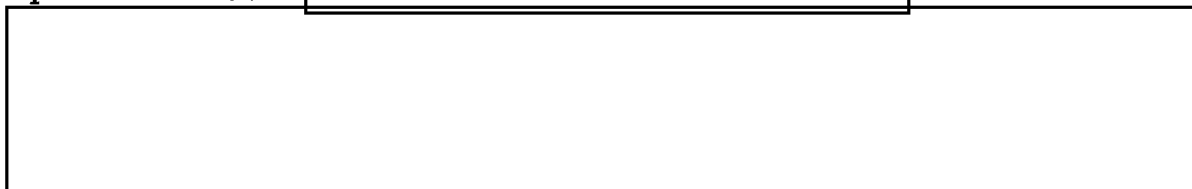
Comment: Li Li-san was expelled from the Chinese Politburo in 1930 following the failure of his insurrectionary policy in China. Li spent the next fourteen years in Moscow and returned to China after his re-election to the Central Committee of the Chinese Communist Party in 1945. Although Li is officially the 12th ranking member of the party, he has been publicly humiliated at least twice since his return and his 1927-1930 policies were denounced at length last July in a party official history.

8. French foresee only diplomatic achievements in Indochina: The diplomatic counselor to the High Commissioner in Saigon, who has just arrived from Paris, has told the United States Minister that he found general political agreement in France on the impossibility of obtaining an early military decision in Indochina. French political leaders conclude that their country's main task in Indochina is to foster the development of the Indochinese government, while maintaining the defense effort, until "something" can occur to break the deadlock.

The American Minister considers this view "too pessimistic." 

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9. French official in Tonkin notes pacification defects:
The ranking French civil official in Tonkin, after a ten-day tour of the Thai Binh area in the southeast portion of the delta, told American officials that French clearing operations in that area "went as well as could be expected," but that there were not enough French troops to throw a tight noose around Viet Minh units in the area. Moreover, Vietnamese officials and facilities for post-pacification requirements were lacking in number and quality. [REDACTED]

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Comment: These are the perennial shortcomings of the effort to pacify the Tonkin delta. American officials have repeatedly stated that the only way to clear the Viet Minh from the delta is to establish a more effective native army and administration.

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NEAR EAST - AFRICA

12. French annoyed over Tunisian stalling: According to the Director of Political Affairs in the French Foreign Office, Tunisian Prime Minister Baccouche is "taking the French for a ride" by delaying the announcement of his cabinet's formation. Baccouche probably would like to procrastinate until the Security Council has disposed of the Tunisian case.

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25X1 The Prime Minister is said to be hoping for unspecified concessions, but upon the insistence of the Resident General has "promised to see if he could make an announcement" on 10 April. [REDACTED]

Comment: Indications are that France will have to apply more pressure on the Prime Minister and the Bey in order to obtain the desired announcement, which has been postponed for almost a week. Baccouche apparently hopes that delay now may somewhat mitigate popular resentment against him and any cabinet he may lead.

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WESTERN EUROPE

13. German elections proposals given prominence in Berlin press: The United States High Commissioner's office in Berlin sees new indications in the Berlin Soviet-licensed press that the USSR may propose a four-power commission to control all-German elections. Taegliche Rundschau, official Soviet organ, gave front-page coverage to a speech by Max Reimann, West German Communist, approving four-power control, and to two unofficial proposals from West German groups calling for the same thing.

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Comment: These press reports could also foreshadow Soviet support of any new East German proposals for supervised elections, or they may simply be part of the standard Soviet propaganda procedure of showing alleged Allied interference with East German desires for unification.

If a Soviet proposal should be made, the West Germans are not likely to be impressed by the idea of four-power supervision. This suggestion, which implies a Soviet veto over election procedures, was rejected last fall by Bonn when it was offered by the East German Government.

LATIN AMERICA

14. Outcome of Bolivian revolt still in doubt: Colonel Mejia, head of the Bolivian Army Intelligence, has told the US Air Attache in Bolivia that General Torres, Commander in Chief of the Bolivian Army, is not backing the revolt led by the Nationalist Revolutionary Movement (MNR), as claimed by broadcasts of the MNR-controlled radio. Mejia stated that General Seleme, Minister of Government, is the only important defector, and that Torres went up to the high plateau above La Paz to await loyal troops which he will lead back into the capital.

25X1 MNR broadcasts are still exhorting the public to proceed to various points to receive arms and to join in the fight. Sporadic shooting continues in La Paz, and the situation in important cities of the interior remains in doubt. The governing junta is reportedly imprisoned in the presidential palace.

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Comment: MNR-controlled radio broadcasts have claimed that General Torres, General Seleme, and Herman Siles Suazo (Executive Director of the MNR) are leading the revolution, supported by army and police units. If Torres is not supporting the revolution, the government has a much better chance of suppressing it. Torres has been an MNR sympathizer, but reportedly switched his support to the junta in February [redacted] Whether or not the government quells the rebellion, there is likely to be considerable bloodshed.

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15. Strike of Chilean copper workers regarded as inevitable: Manuel Ovalle, president of the Chilean Copper Workers Confederation, regards a copper strike at the Anaconda and Braden mines as inevitable. According to him, the companies have made no counterproposal, and have indicated that they cannot grant any further pay increases unless the government grants them preferential exchange treatment.

President Gonzalez Videla has stated that the government will fulfill its agreement with the companies by sending the new copper exchange and tax reform bill to Congress; but he has also said that the companies could pay for the wage increase out of current profits. Ovalle believes that it will be absolutely impossible to secure approval of this legislation.

Comment: The possible strike would involve the three important American-operated mining properties which account for about 95 percent of Chilean copper production, or approximately 360,000 metric tons a year.

The Chilean Government's policy on copper has been under attack by all elements of the opposition. The US Embassy commented last month that approval of the new legislation "appears to be a remote possibility in this highly volatile pre-election atmosphere."

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10 April 1952

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TO THE CURRENT INTELLIGENCE DIGEST

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FAR EAST

1. Japan would resent any attempt by Taipei to prolong Occupation: Japan would bitterly resent any Chinese Nationalist action, following failure to obtain a satisfactory treaty, to oppose the dissolution of the Far Eastern Commission or the Allied Council for Japan, in the opinion of acting US Political Adviser Bond in Tokyo. He points out that the Japanese grow increasingly restive over the continued delays in the effectuation of the peace treaty, and any attempt by Taipei to prolong the Occupation, however ineffectual, might make it impossible for Japan to continue the current negotiations.

Bond believes that the Soviet member of the Allied Council for Japan would probably exploit any Chinese action opposing dissolution.

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Comment: Nationalist China has indicated that should a satisfactory peace treaty not be obtained it "would find it difficult to support any measure, such as the dissolution of the Far Eastern Commission and Allied Council for Japan, which would leave the large number of Chinese nationals in Japan without any legal status...."

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SOUTH ASIA



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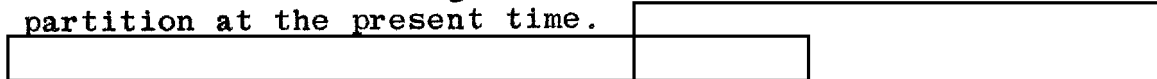
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In conversation with the American delegation to the United Nations, Graham remarked that India's recent decision to withdraw a division of troops from Kashmir had brought the demilitarization problem to its final phase. He felt that by suggesting that Admiral Nimitz be brought in, he had found a device to keep negotiations going. He was not confident of eventual success, however, and he has no intention of raising an alternative solution such as partition at the present time.

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Comment: Even if Graham's suggestions are accepted by both India and Pakistan, the problems likely to arise in preparing the way for a plebiscite are as knotty as those which have appeared in the past, and are equally uncertain of solution.

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